BUILDING SMALL AGRIBUSINESSES IN EAST AFRICA

Agribusiness Investment for Market Stimulation (AIMS) is a five-year initiative of Global Communities to bolster trade in key agricultural sectors, grains, pulses, dairy, and horticulture in Kenya, Tanzania and Malawi by increasing access to financing and markets for small and medium-sized agribusinesses. AIMS is funded by the U.S. Department of Agriculture and includes a planned $50 million loan guaranty facility backed by the Overseas Private Investment Corporation (OPIC).

Small and medium-sized agribusinesses (A-SMEs) are a potential driver of inclusive agriculture-led economic growth, but they face constraints – including inadequate financing, lack of market information, lack of market orientation, limited market linkages and limited connections to quality service providers that can help them achieve sustainable and inclusive business growth.

In partnership with the Eastern Africa Grain Council and business advisory service providers, AIMS builds the capacity of these A-SMEs and improves access to both domestic and regional markets through enhanced buyer-seller linkages and better market information. It also build the capacity of banks in the region to lend to small and medium-sized agribusinesses to develop improved products and establish appropriate risk mitigation techniques under the loan guarantee facility.

Enhancing Market Access for Agribusiness SMEs

Applying a market systems approach, AIMS works to increase market linkages by facilitating business relationships between buyers and sellers through a Business to Business (B2B) model. Business linkage forums bring buyers and sellers together to create indicative agreements that can be used as the basis for formal purchasing contracts. Wherever possible, these forums are conducted in partnership with apex organizations including business advisory service providers, financial institutions, market information services providers, county governments, and value-chain specific service providers. Creating linkages between A-SMEs and these apex organizations helps build trust and helps parties better understand the value added by the other, which can lead to a further deepening of relationships that can lead to further efficiencies and increased trade.
Among the successes AIMS has had include:

Kenya – AIMS facilitated adoption of Management Information System platforms by Meru Greens, a leading agri-exporter of fruits and vegetables to Europe and Middle East. The company is currently working with 3,000 farmers, enhancing efficiency of data availability on harvests, commodities available in the farm, and automated payment systems to growers, reducing paper work and lowering operational costs.

The program linked Olivado Limited, a fresh avocado exporter and extra virgin avocado oil processing firm to Financial Access Commerce and Trade Services, an agribusiness based financial institution with operations in East Africa that gave the company a loan worth $194,175. This enabled Olivado to diversify their product line to sale of fresh avocado, complementing their oil processing operations and to provide advances to its farmers at maturity which has mitigated side selling.

In addition, AIMS facilitated a B2B forum with 12 livestock cooperatives and 6 buyers that resulted in volumes worth USD 22,656.6 of livestock sold per month. These purchase agreements were with new buyers.

Tanzania – A B2B forum brought together 9 buyers and processors, 15 sellers of non-refined sunflower oil and oil seeds, and 14 representatives from two agricultural cooperatives, resulting in 10 sales agreements for 59,094 MT valued at USD 31.5 million. AIMS linked a processor of refined sunflower oil in Dodoma with an exporter, resulting in a sales agreement for 180,000 liters. In total, six B2B forums have yielded deals involving 378,227 MT worth USD 105 million.

Malawi – A cross-border B2B forum resulted in USD 280 million per year worth of trade deals between Malawi and Tanzania agribusinesses. The contracts are automatically renewable if service level is satisfactory. Forty-five participants from different levels of the grains value chain attended the event which also included service providers such as banks, insurance providers, policy makers and transporters.

Bank Partners and Finance

As access to finance is a critical obstacle to growth in the agriculture sector, AIMS builds the capacity of financial institutions in agriculture lending. AIMS has partnered with banking industry specialists in Kenya, Tanzania and Malawi including the Kenya School of Monetary Studies and Financial Access East Africa to develop the Executive Certificate in Agricultural Finance, a practical courses on agriculture lending and risk assessment and mitigation. This training curriculum is unique in that it targets the ‘frontline’ loan officers to better understand, serve and work with A-SME clients. This curriculum has proven so popular that Ghana and other countries have expressed interest in adopting it. AIMS also supports financial institutions in the uptake of other innovations such as warehouse receipt finance and accounts receivable finance and factoring.

AIMS is also currently in the process of setting up bank partnerships for the OPIC Loan Guaranty Facility (LGF) to support banks to make working capital and fixed asset loans from USD5,000 to USD1 million and above to agribusinesses. The LGF will help banks mitigate risk associated with agriculture lending. The guarantee covers at least 60% of principal (up to 70% for woman-owned businesses), plus six months of accrued interest on qualifying loans to agribusinesses.

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